

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking to Create a
Consistent Regulatory Framework for the
Guidance, Planning, and Evaluation of
Integrated Demand Side Resource Programs.

Rulemaking 14-10-003
(Filed October 2, 2014)

**OPENING COMMENTS OF
SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) ON
PROPOSED DECISION ADOPTING AN EXPANDED SCOPE, A DEFINITION,
AND A GOAL FOR THE INTEGRATION OF DEMAND SIDE RESOURCES**

STEVEN D. PATRICK

Attorney for
SOUTHERN CALIFORNIA GAS COMPANY
555 West Fifth Street, Suite 1400
Los Angeles, California 90013
Telephone: (213) 244-2954
Facsimile: (213) 629-9620
Email: SDPatrick@semprautilities.com

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SUMMARY OF RECOMMENDED CHANGES TO THE PROPOSED DECISION

SoCalGas supports adoption of the PD, with the following recommended enhancements.

- Establishment of a counterpart proceeding to the DRP to address non-electric resources (e.g., natural gas and water). It is recommended the Commission bifurcate or establish a concurrent phase of the IDSR proceeding to establish such a venue.
- Adoption of a definition of IDSM as follows:
 - *A regulatory framework that facilitates the achievement of California's greenhouse gas reduction goals by enabling the coordination of program administrators to offer, and customers to pursue, cohesively, all cost-effective integrated demand-side resources.*
- With respect to IDSR proceeding scope:
 - Enhancement to the scope to include development of sub goals associated with the framework of IDSR.
 - Clarification to the scope that sub goals associated with IDSM services available to customers be developed in their respective proceedings in a manner consistent with the IDSR primary goal.
- Establishment of a process whereby a review of all sub goals should occur during the next iteration of the IDSR proceeding (or at a later phase after sufficient opportunity to develop sub goals).

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utility Commission’s (“Commission” or “CPUC”) Rules of Practice and Procedure, Southern California Gas Company (“SoCalGas”) hereby submits its Opening Comments to the Proposed Decision (“PD”) of Commissioner Florio Adopting an Expanded Scope, a Definition, and a Goal for the Integration of Demand Side Resources (“IDSR”) in Rulemaking (“R.”) 14-10-003 (hereafter “the proceeding”).

As described below, SoCalGas supports the PD features, as they develop a strong foundation to undertake the objectives of the proceeding but recommends a modest number of enhancements to the PD, with emphasis on one that is needed to ensure comprehensiveness of the scope between this and the related Distribution Resources Plan proceeding (“DRP”) R.14-08-013, namely to ensure all fuels, including natural gas, are addressed in the IDSR approach. Natural gas energy efficiency and distributed generation must be a key component of the proceeding, and its inclusion is necessary for the successful achievement of California’s aggressive energy and climate goals.

II. NATURAL GAS ENERGY EFFICIENCY MUST BE A KEY COMPONENT TO THIS PROCEEDING

SoCalGas applauds the Commission's recommendations for the scope of this proceeding, and concurs with setting the scope broadly to enable an effective delivery strategy for IDSR. The Commission has set a broad scope in this PD in order to create a regulatory framework that looks at the entire energy production and delivery system, and includes a determination of how best to source the distributed energy resources needed by the utilities.¹ In the March 2015 workshops, SoCalGas pointed out that the regulatory framework was a core issue to address and is pleased that is the primary focus of the scope. SoCalGas believes that focus will help to avoid having IDSR elements subject to different silos with different goals, objectives, and/or timelines.²

However, the PD also establishes an approach whereby the proceeding will be extensively intertwined with the DRP proceeding to create an end-to-end framework.³ SoCalGas is concerned with how this approach will affect the inclusion of natural gas in the IDSR discussion. The DRP is described as moving utilities toward "more full integration of distributed energy resources into their distribution system planning, operations and investment."⁴ Through DRP, the Commission is addressing system needs and how those can be optimally be provided by distribution energy resources.

SoCalGas understands the DRP proceeding as primarily addressing issues associated with the provision of services by electricity providers. More specifically, the DRP is a result of California State Assembly Bill ("AB") 327 creating a new section (Section 769) in the Public

¹ See PD at p. 7.

² See Responses of Southern California Gas Company on Administrative Law Judge's Ruling on Integrated Demand-Side Resource Programs, dated May 15, 2015, p. 6.

³ See PD at pp. 8-11.

⁴ From PD at p. 10, which cites OIR 14-08-013 at p. 4.

Utilities Code that requires electrical corporations to submit [by July 1, 2015] a distribution resources plan proposal to identify optimal locations for the deployment of distributed resources (distributed renewable generation resources, energy efficiency, energy storage, electric vehicles, and demand response technologies) on the distribution system. Because Section 769 is specific to electric utilities, the focus is on the electrical distribution planning process, the electrical distribution system, electric tariffs and rates, and therefore end-use customers of electricity. Linking the DRP proceeding to this proceeding may inadvertently exclude the benefits of natural gas energy efficiency, and clean gas-fueled generation technologies; thereby, delaying the successful achievement of California's aggressive energy and climate goals.

It is necessary that the Commission also identify the venue to address issues related to the provision of natural gas and its systems to ensure that natural gas energy efficiency is properly included in the scope of this proceeding. SoCalGas believes that multiple options offer such a solution, and recommends a bifurcation or concurrent phase of the IDSR proceeding to specifically address the non-electric resources (e.g., natural gas and water).

In addition to the IDSR framework, this proceeding scope would create a framework to determine how the resources needed could be sourced.⁵ While SoCalGas believes that this direction is appropriate, elements that go beyond framework to address the actual sourcing of resources should occur in the respective proceeding covering integrated demand side management ("IDSM") services. SoCalGas also supports development of an overall framework for investments in demand-side resources and incentives based on location, but requests the PD be clarified to reflect that this will be done at the policy level in this proceeding, and allow IDSM services proceedings to establish the customer-side programmatic initiatives.

⁵ See PD at p. 7.

III. SOCALGAS SUPPORTS THE PD'S DEFINITION OF IDSR AND RECOMMENDS THAT IDSM ALSO BE FORMALLY DEFINED

The PD sets forth the following definition for IDSR:

*A regulatory framework developed by the Commission to enable utility customers to effectively and efficiently choose from an array of demand-side and distributed energy resources, taking into consideration the impact and interaction of such resources on the system as a whole, as well as on the individual customer's energy usage.*⁶

SoCalGas supports Commission approval of this definition of IDSR. This is consistent with the principles SoCalGas recommended the definition focus on – in order to develop an effective and cohesive regulatory framework to facilitate successful customer engagement with IDSR.⁷ The definition addresses the SoCalGas-supported themes of an effective regulatory framework and customer-focused solutions. SoCalGas also recommended representing the theme of goals to reduce greenhouse gasses and cost-effective and coordinated implementation, and the proposed definition touches upon those themes in its language.⁸

In earlier comments in this proceeding, SoCalGas recommended the Commission acknowledge a distinction between IDSM and IDSR – suggesting these terms are complementary, and not synonymous.⁹ SoCalGas also proposed that IDSM should be defined as the overarching policy, including a streamlined regulatory framework, while IDSR contains all of the eligible and/or available resource offerings that are included under the IDSM policy

⁶ PD at p. 14. SoCalGas notes this definition differs in format from the one provided at the beginning of the PD, which states “A regulatory framework that enables customers to effectively and efficiently choose from an array of demand-side and distributed energy resources. The framework is based on the impact and interaction of such resources on the system as a whole, as well as on a customer's energy usage.”

⁷ See Responses of Southern California Gas Company on Administrative Law Judge's Ruling on Integrated Demand-Side Resource Programs, dated May 15, 2015, p. 2.

⁸ *Ibid.*

⁹ See Reply Responses of Southern California Gas Company on Administrative Law Judge's Ruling on Integrated Demand-Side Resource Programs, dated May 29, 2015, p. 2.

umbrella.¹⁰ The PD recognizes the interplay between the two concepts, but instead defines IDSR as additive to IDSM, with the latter being what utilities offer to customers, and the former the collective action of various actors to optimize demand-side resources.¹¹ SoCalGas believes these definitions can work as contemplated by the PD and in tandem.

In this regard, SoCalGas recommends that the Commission consider formally defining IDSM at this time, in addition to IDSR. As noted above, a general distinction is provided regarding IDSM, that it is associated with the services provided to customers, and sufficient information exists on the record to develop a formal definition. In comments, SoCalGas proposed the following definition of IDSM:

*A regulatory framework that facilitates the achievement of California's greenhouse gas reduction goals by enabling the coordination of program administrators to offer, and customers to pursue, cohesively, all cost-effective integrated demand-side resources.*¹²

SoCalGas continues to support this definition for IDSM, as it focuses on the provision of services to customers, and is additive to the IDSR focus on the mix of distributed energy resources that interact with utility delivery systems. The establishment of a definition for IDSM at this key juncture will enable parties to move forward in other, related settings (such as the currently pending Energy Efficiency proceeding R.13-11-005) consistently for their customer-facing offerings.

SoCalGas also supports having a singular definition for IDSR and IDSM to provide clarity on the desired approach and provide clear direction for all program actors. The definitions of IDSR and IDSM should allow for a coordinated approach to programmatic

¹⁰ *Ibid.*

¹¹ See PD at p. 14.

¹² Reply Responses of Southern California Gas Company on Administrative Law Judge's Ruling on Integrated Demand-Side Resource Programs, dated May 29, 2015, p. 2.

offerings. As a single fuel provider of natural gas, SoCalGas expressed concern in comments that its methods for effectuating IDSM would not be reflected in the definition, and be given the appropriate recognition as part of the environmental goals solution.¹³ SoCalGas performs “internal” IDSM to ensure its programs are offered to customers in an integrated manner (e.g., Energy Efficiency and Self Generation Incentive Program), and “external” IDSM to involve electric and water service providers through program partnerships, many of which are with non-CPUC regulated entities. The IDSR definition proposed in the PD is sufficiently broad to complement these IDSM circumstances.

A. SoCalGas Applauds the Commission’s One Goal Approach for IDSR and Recommends Sub-Goals to Enhance the IDSR Framework.

The PD sets forth the following goal for IDSR:

*To deploy distributed energy resources that provide optimal customer and system benefits, while enabling California to reach its climate objectives.*¹⁴

SoCalGas appreciates that the PD sets one goal for IDSR – a single goal is more likely to send a clear signal to all stakeholders of the common path and objective. As recommended by SoCalGas, the PD goal is long-term, directional, and broad enough to allow flexibility in how the goal can be achieved.¹⁵ SoCalGas suggested that sub goals (or milestones) be developed to be employed to facilitate momentum in achievements, and measure progress at intermediate points that support realization of the goal in the long-term.¹⁶ SoCalGas requests that the PD be enhanced to indicate that sub goals associated with the framework of IDSR be included within the scope of this proceeding, and that sub goals associated with IDSM services available to

¹³ See Responses of Southern California Gas Company on Administrative Law Judge’s Ruling on Integrated Demand-Side Resource Programs, dated May 15, 2015, p. 3.

¹⁴ See PD at p. 17.

¹⁵ See Responses of Southern California Gas Company on Administrative Law Judge’s Ruling on Integrated Demand-Side Resource Programs, dated May 15, 2015, p. 4.

¹⁶ *Ibid*, p. 5.

customers be developed in their respective proceedings in a manner consistent with the IDSR primary goal. SoCalGas also proposes that the PD should indicate that a review of all sub goals should occur during the next iteration of this proceeding (or at a later phase after sufficient opportunity to develop such sub goals).

IV. CONCLUSION

SoCalGas supports adoption of the PD, with the following recommended enhancements.

- Establishment of a counterpart proceeding to the DRP to address non-electric resources (e.g., natural gas and water). It is recommended the Commission bifurcate or establish a concurrent phase of the IDSR proceeding to establish such a venue.
- Adoption of a definition of IDSM as follows:
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DATED at Los Angeles, California, on this 2nd day of September, 2015.

Respectfully submitted,

By: /s/ Steven D. Patrick
Steven D. Patrick

STEVEN D. PATRICK

Attorney for
SOUTHERN CALIFORNIA GAS COMPANY
555 West Fifth Street, Suite 1400
Los Angeles, California 90013
Telephone: (213) 244-2954
Facsimile: (213) 629-9620
E-mail: SDPatrick@semprautilities.com

**PROPOSED CHANGES TO
FINDINGS OF FACT AND CONCLUSIONS OF LAW**

Proposed Changes to Ordering Paragraph

<u>Ordering Paragraph (OP)</u>	<u>Proposed Change</u>
Add new OP 8.	<p>8. The following definition of the integration of demand-side management is adopted:</p> <p>A regulatory framework that facilitates the achievement of California’s greenhouse gas reduction goals by enabling the coordination of program administrators to offer, and customers to pursue, cohesively, all cost-effective integrated demand-side resources.</p>

Proposed Changes to Conclusions of Law

<u>Conclusion of Law (COL)</u>	<u>Proposed Change</u>
Add new COL 7.	<p>7. The Commission shall establish a counterpart proceeding to the DRP to address non-electric resources (e.g., natural gas and water).</p>